

2006-15
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
October 3, 2006

THE STATE OF TEXAS §
COUNTY OF HARRIS §
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in special session, open to the public, at the Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, October 3, 2006, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, except Director Schkade, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Lewis S. Kasner, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), attorneys for the District.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

DISCUSS ADOPTION AND IMPLEMENTATION OF PUMPAGE FEE SURCHARGE ON WATER/SEWER SERVICE BILLS

The Board first recalled that at the September meeting, the Board had discussed concerns over whether the District is losing pumpage fee revenue due to the District's low water accountability. Mr. Peterson reported that based on information he has reviewed, in 2005, the District collected \$192,000 in pumpage fees and paid \$245,000 in pumpage fees to the North Harris County Regional Water Authority (the "NHCRWA") and, to date, the District has collected \$104,000 from residents and paid \$140,000 to the NHCRWA. A discussion ensued regarding whether the Board desires to add a pumpage fee surcharge to help make up the 20% loss of pumpage fee revenue due to low water accountability. Director Steffes stated that given the District's tax rate and strong financial condition, he was not in favor of adding a pumpage fee

surcharge to the District's water/sewer service bills. The other Board members concurred with Director Steffes.

The Board then continued to discuss what should be done to improve the District's water accountability. Director Marks asked if the well meters are checked regularly for accuracy. Mr. Shackelford responded that the well meters are tested two (2) times a year and noted that a meter with 95% to 102% accuracy is considered to be within acceptable limits. Mr. Shackelford and Mr. Conner stated that the District's water accountability percentage is not bad for a large and active district. Mr. Peterson noted that the District's water accountability for the past three (3) months has been 90% to 93%. Director Warren then stated that a better job must be done to account for the District's water. Mr. Kasner then suggested that Mr. Conner meet with representatives of Aqua Services, LP ("Aqua Services") to discuss how the District's water accountability can be improved. Mr. Conner suggested that the Board appoint Director Warren and Mr. Conner to work as a subcommittee of the Board to focus on improving the District's water accountability. Mr. Conner added that SAMCO, the leak detection firm who has recently been working for the District, had identified seven (7) leaks in the District's water system, all of which have now been repaired. Director Steffes noted that the Board should make an effort to educate the residents about water conservation and consider offering rebates to residents for use of energy efficient appliances.

Mr. Conner then discussed the difference between the old turbine meters and the new compound meters currently being installed. Director Marks asked what the new compound meters cost. Mr. Shackelford responded that a compound meter and vault for a 12-inch main line costs between \$50,000 and \$75,000, and that such a meter needs to be a two-way flow meter. Mr. Conner next stated that the automated reading meters ("ARMs") now being installed in the new subdivisions in the District are compound meters. Mr. Conner noted that it currently takes five (5) days to take all of the meter readings in the District, but that once the District is converted to ARMs, it will take only one (1) day. A discussion ensued concerning how many ARMs have been installed in the District and how many more are needed to convert the entire District to the usage of ARMs. Mr. Conner stated that there are currently 1,500 ARMs installed in the District. Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Director Warren and Mr. Conner as a subcommittee of the Board to focus and work on improving the District's water accountability and to research implementing a program to convert all of the District's residential meters to ARMs and report their findings back to the Board.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to not implement a pumpage fee surcharge on the District's water/sewer service bills and for the District to continue to pay the shortfall on the pumpage fees paid to the NHCRWA.

UPDATE ON DISTRICT'S WEBSITE IMPROVEMENTS

This matter was deferred to a later meeting.

AUTHORIZE ENGINEERS AND OPERATORS TO INCLUDE CONFLICTS OF INTEREST QUESTIONNAIRE WITH ALL BID AND REQUEST FOR PROPOSAL PACKETS

Mr. Kasner next distributed a memorandum from JRPB regarding the 79th Legislature's conflicts of interest disclosure requirements for persons seeking to contract with a governmental entity, a copy of which is attached hereto. Mr. Kasner reminded all consultants in attendance that all persons or companies seeking to contract with a local governmental entity, including all District consultants, must complete a conflict of interest questionnaire (the "Questionnaire"). Mr. Kasner stated that in light of the recent Attorney General opinion on the issue, JRPB is recommending that for all contracts entered into after the date of tonight's meeting, the District should require all persons seeking to contract with the District to complete the Questionnaire before the District awards the contract. Mr. Kasner then added that the memorandum explains this procedure and provides information that can be distributed when Jones & Carter or Aqua Services solicits contracts on behalf of the District. Mr. Kasner next explained that all of the District's consultants and other contractors working on District projects or proposing to perform District work must also update their respective Questionnaires by September 1st of each year as long as they continue to contract with the District.

DISCUSS AMOUNT OF CREDIT OWED BY REPUBLIC WASTE SERVICES ("REPUBLIC") FOR MISSED DAY OF GARBAGE COLLECTION SERVICES

Mr. Conner reported that the credit due to the District for the one (1) missed day of garbage collection services during the Republic strike equates to \$1.64 per connection. The Board agreed that it is likely not worth the administrative costs to try to refund each customer \$1.64. Director Steffes asked Mr. Conner to contact the District's Republic representative to determine if Republic would be willing to do a special pickup for the District in lieu of reimbursing the District for the strike day. Mr. Conner stated he would discuss the matter with Mr. Johnny Smith of Republic.

UPDATE ON UPPER SEALS GULLY PROJECT AND RELATED MATTERS

Mr. Shackelford then reported that Jones & Carter has three (3) projects under design in connection with the Upper Seals Gully project, including: 1) the portion of Upper Seals Gully from the end of the Harris County Flood Control District channel to the Wal-Mart site; 2) the portion from the Wal-Mart site to FM 2920; and 3) the portion south of FM 2920 to Kuykendahl. Mr. Shackelford noted that the portion on the north side will be financed by Northcrest 2920, LP ("Northcrest") and that such construction should be complete by March 2007. Mr. Shackelford stated that the project would be ready to bid in November.

Mr. Shackelford then reported that the engineers, General Manager and attorneys are reviewing a proposed Local Transportation Project Advance Funding Agreement by and between the State of Texas (Texas Department of Transportation ("TxDOT")) and the District (the "TxDOT Agreement") in connection with TxDOT's participation in a portion of the Upper Seals Gully project. Mr. Shackelford noted that under the proposed TxDOT Agreement, box culverts will be installed under FM 2920 at an estimated cost of \$176,000. Mr. Shackelford noted that the design plans will be submitted to TxDOT at the end of this month, and that construction of this portion of the project is expected to be completed by April 2007.

Mr. Shackelford then stated that a portion of the Upper Seals Gully project currently under design requires the acquisition of two (2) easements or fee acquisitions from Northcrest, which are located just south of Northcrest Village, Section 5 and up to FM 2920. Mr. Shackelford explained that Jones & Carter is preparing the necessary metes and bounds descriptions for the easements, and that real estate appraisals will be needed for the tracts.

Mr. Shackelford next explained that it will also be necessary to acquire a drainage easement from Mr. Howard Lederer across his 69+-acre tract of land, which is located south of FM 2920. Mr. Shackelford added that an appraisal will also be needed for the Lederer easement.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the engineers, General Manager and attorneys to finalize the TxDOT Agreement, to proceed with the acquisition of the necessary easements from Northcrest and Howard Lederer that are needed for the Upper Seals Gully project, and to authorize the attorneys to obtain the necessary appraisals for the easement tracts.

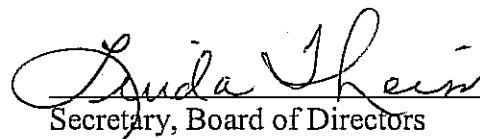
MISCELLANEOUS MATTERS

Director Marks then asked why the District cannot repair the Albertson's detention pond and backcharge the owner for the necessary repairs. Mr. Shackelford explained that the Albertson's detention pond is located on private property, and the District has no rights to enter or perform work on the property. Mr. Kasner added noted that the District also does not have authority to require that the owner repay the District for any such repairs.

Mr. Conner noted that the Albertson's building is evidently being used for storage purposes. Director Warren reported that a seafood restaurant is moving into the old Arby's building. Mr. Shackelford stated that Jones & Carter has not reviewed any plans for the new tenant. Mr. Shackelford stated that he would contact Harris County (the "County") and find out if the new business has obtained the necessary permits from the County. Mr. Conner added that he would stop by the restaurant and talk to the owner.

Mr. Conner then reported that Lieutenant Blankenship and his deputies are going to patrol the parking lot at the Albertson's center to discourage people from using the detention pond as a dumpsite. Mr. Conner added that the Constables will be prepared to file charges against persons found dumping trash on the Albertson's site.

PASSED, APPROVED AND ADOPTED this 23rd day of January, 2007.


Secretary, Board of Directors

